



**Sustainability- Related Disclosures for Article 8
products pursuant to article 10 of Regulation
2019/2088 on Sustainability- Related Disclosure in
the Financial Services Sector (SFDR)**

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A. General principles for Discretionary Portfolio Mandates and dedicated financial products¹

For all financial products managed and promoted by Candriam, including discretionary portfolio mandates and dedicated financial products:

- Sustainability risks are taken into account in investment decisions or investment advice provided by Candriam. The Sustainability Risk Management Policy can be found [here](#).
- Investment strategies integrate engagement and proxy voting in compliance with Candriam policies. You can find these policies on Candriam's website via the following links:
 - [Engagement Policy | Candriam](#)
 - [Proxy Voting Policy | Candriam](#)
- Candriam applies company-wide exclusions (such as controversial weapons, tobacco, thermal coal, with certain thresholds). More information can be found in [Candriam's Exclusion Policy](#).

Further details on the calculation methodology for ESG and impact indicators, including data sources, formulas, and potential limitations of calculations can be found in the [ESG and Impact Indicators – Definitions and Methodology](#) document.

¹ As tailor-made solutions are set up to meet specific clients' needs, exceptions exist.

B. Methodologies used to assess sustainable investment objectives of Article 8 products, including Article 8 discretionary portfolio mandates and dedicated financial products

1. Summary

Scope of application of this disclosure statement

The information presented in this disclosure statement applies to the European Union's Sustainable Finance Disclosure Regulation (SFDR) Article 8 products of Candriam, including discretionary portfolio mandates and dedicated financial products (here below, "Candriam's Article 8 products").

Candriam's Article 8 products share common characteristics presented in this document, however, may have different investment strategies and environmental or social focuses. That is, these products may have specific characteristics, methodologies, and indicators that vary.

For a detailed view of these product-specific elements, please refer to the dedicated webpages that are accessible via Candriam's website <https://www.candriam.com>. For more details on the characteristics, please refer to the table at the end of the document.

No Sustainable Investment objective

The investments of Candriam's Article 8 products promote environmental or social characteristics in accordance with Article 8 of the SFDR, but do not have a sustainable investment objective as contemplated by Article 9 of the SFDR.

The sustainable investments made by the financial product 'Do No Significant Harm' (DNSH) to any sustainable environmental or social investment objectives, to the extent that Candriam takes account of the Principal Adverse Impacts (PAIs) and aims for alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles (UNG) on Business and Human Rights, through Candriam's analytical ESG framework and exclusion policies on controversial activities and norms.

Environmental or social characteristics of the financial product

Candriam's Article 8 products promote environmental and social characteristics by adhering to global standards by means of: excluding companies with severe risks or breaches of the UNGC and OECD Guidelines; reducing exposure to controversial activities (e.g. thermal coal, production and retail of tobacco, controversial weapons); or by avoiding exposure to countries considered oppressive regimes². The characteristics mentioned above are not exhaustive. The financial product may also promote other environmental and social characteristics deemed beneficial and aligned with its investment objectives. A portion (but not all) of the portfolios of Candriam's Article 8 products are composed of sustainable investments. In other words, sustainable investments make up a part of the investments held in Article 8 products, but do not represent the full portfolio (see section Proportion of Investments, below). The sustainable investments that Candriam's Article 8 products include in the portfolio aim to make a positive environmental and social contribution in the long term. To capture both the potential sustainability risks and opportunities an investment is exposed to, as well as its positive or negative contributions to sustainability matters, Candriam conducts an in-depth analysis of the environmental, social, and governance (ESG) dimensions of each issuer. In the case of corporate issuers, Candriam evaluates this through an assessment applied via two interconnected processes:

- Overall ESG assessment: an evaluation of the overall sustainability of issuers, which results in an overall ESG Rating for each issuer. This assessment combines an evaluation of how a company's activities contribute to key sustainability challenges (Business Activities Analysis) and an assessment of how it treats stakeholders and manages ESG-related risks (Stakeholders Analysis). Products classified under SFDR Article 8 may invest in companies within a specified ESG Ratings range, which may depend on the asset class.
- Specific E/S contribution assessment: Candriam uses specific elements of its ESG analytical framework in a process for assessing contributions to environmental and/or social objectives, which results in an Environmental Contribution Score and/or a Social Contribution Score.

Investment strategy to meet the environmental and social characteristics

To meet the environmental or social characteristics, Candriam's Article 8 products follow an investment

² Please note that the environmental and social characteristics of each financial product can vary.

strategy that aims to reduce ESG risks, mitigate PAIs and assess issuers' contributions to sustainability-related goals. To achieve this, the investment strategy employs a disciplined and comprehensive ESG framework that enables the identification and selection of issuers to meet both environmental and social characteristics, as well as the sustainable investments contributing to the proportion of such investments of the financial product.

For corporate issuers, Candriam's corporate ESG analytical framework is structured around two key components : (1) Proprietary ESG analysis, which comprises an overall ESG assessment and a specific E/S contribution assessment, and (2) in-depth negative screening, covering Controversial Activities and a Norms-based assessment of issuers' controversies.

For sovereign issuers, Candriam's ESG framework assesses countries' ability to manage sustainability-related challenges across Natural Capital, Human Capital, Social Capital, and Economic Capital. Any country on Candriam's Highly Oppressive Regimes List is excluded.

To qualify as a Sustainable Investment, issuers must meet all criteria as outlined in Candriam's Sustainable Investment Definition

Proportion of investments

From 51% to 70% of the total net assets of Candriam Article 8 products are invested in assets with environmental and social characteristics. Of these, between 10% and 51% will consist of sustainable investments for Article 8 products.

A maximum of 49% and a minimum of 30% of the products' total net assets can be allocated to other assets. These investments comply with minimum environmental and social safeguards. The use of derivatives is not intended to achieve the environmental or social characteristics promoted by the financial product (specific dispositions may apply).

Monitoring of environmental or social characteristics and due diligence

Candriam continuously monitors environmental and social characteristics, as well as the proportion of sustainable investments applicable to the financial product, through its ESG Investment Policy, committees, and independent compliance checks. In the event of a breach, it is reviewed by the risk management department and the Sustainable Risk Committee that decide on suitable action. Due diligence on the underlying assets of the financial product is carried out by Portfolio Management and Risk Management Departments. It is supported by a tool that contains regulatory and contractual constraints and aims to prevent errors.

Sustainability indicators, data sources and correction of data-related issues

To achieve the environmental or social characteristics of Candriam Article 8 products, Candriam implements climate and social related Key Performance Indicators (KPIs) in directly managed investment strategies, as outlined in the prospectus, which may vary by product.

In accordance with their prospectus, some of these products aim to achieve a lower carbon footprint or carbon intensity, either relative to their respective benchmark or through an absolute threshold. Depending on the product's investment strategy, other indicators may also be defined, such as a higher ESG score than the benchmark.

An end-to-end data processing pipeline has been implemented, where Candriam's ESG Investments and Research Department collects ESG data, continuously checked at multiple levels and stages of the integration and aggregation process along the ESG analysis cycle. We use various data providers, selected based on methodology, coverage, quality, and granularity, to obtain the most relevant data.

Engagement policies

Engagement and voting are integral to Candriam's investment process. Our Engagement Policy involves direct dialogues, collaborative initiatives, active voting, and the promotion of sustainable development. These activities are key in helping us assess ESG risks and opportunities and mitigate PAIs³.

Changes from the previous version

This version adds the principle of Good Governance for sovereign issuers and its integration in Candriam's ESG methodology. This version also includes updated exclusion levels, PAIs, and includes an E/S contribution assessment.

³ Please note that certain mandates or dedicated funds for which Candriam serves as the management company do not apply Candriam's Engagement or Voting Policy. For more details on the voting scope, please refer to Candriam's Voting Policy.

2. No sustainable investment objective

The investments of Candriam's Article 8 products covered by this disclosure promote environmental or social characteristics, but do not have sustainable investment as their objective.

The proportion of sustainable investments ranges between 10% and 51% for the financial products in scope of this disclosure.

Under the SFDR, the principle of 'Do No Significant Harm' is linked to the consideration of Principal Adverse Impacts (PAIs). The sustainable investments of Candriam's Article 8 adhere to the DNSH principle, ensuring they do not harm any of the sustainable investment objectives pursued by these products. The following sections explain in detail how Candriam applies the DNSH principle in our investment process, including the consideration of PAIs and alignment with international norms.

2.1. How the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex, are taken into account

PAIs are embedded in Candriam's approach through a corporate and sovereign ESG analysis. PAIs are considered at multiple steps of our ESG process and through several different means. This allows us to conduct an in-depth assessment of the risks and opportunities linked to PAIs.

a. Summary

As an integral part of its investment approach, Candriam considers the PAIs of its investment decisions on sustainability factors. The paragraphs that follow present a consolidated view of Candriam's Principal Adverse Impacts on Sustainability Factors.

b. Description of principal adverse sustainability impacts

PAIs are defined as negative, material (or likely-to-be material) effects on sustainability factors (such as environmental, social and employee matters, respect for Human Rights, anti-corruption and anti-bribery matters) that are caused, compounded by, or directly linked to investment decisions and advice performed by the legal entity, i.e. Candriam.

At Candriam, the consideration of such potential negative effects is central to our investment approach. Accordingly, PAIs are considered in our ESG analytical frameworks through three complementary steps:

1. Negative screening
2. ESG analysis and assessment
3. Stewardship (dialogue and voting)

These steps are outlined below:

1. Negative screening

PAIs are considered via our negative screening process, which encompasses Controversial Activities Analysis and Norms-based Analysis:

- **Controversial Activities Analysis:**

Candriam's Controversial Activities Analysis is essential in implementing the DNSH principle as it identifies issuers that carry out activities that exhibit a very negative profile from both a sustainability and financial perspective. The potential harm these activities do to environmental and social objectives, and the risks associated with investing in these activities – such as systemic and reputational risks – cannot be offset by financial gains. Candriam excludes issuers involved in such activities according to revenue thresholds and other criteria set out in [Candriam's Exclusion Policy](#). For example, at company-wide level, Candriam excludes companies involved in the development, production, testing, maintenance, and sale of controversial weapons, as well as those involved in activities such as thermal coal. Moreover, companies directly involved in the manufacturing of

tobacco products are excluded from all of our investments, as well as those deriving more than 5% of their revenues from retailing of tobacco products⁴.

- **Norms-based Analysis**

Candriam's Norms-based assessment determines whether a company complies with the 10 principles of the United Nations Global Compact (UNGC) in the areas of Human Rights, Labour, Environment and Anti-Corruption. The analysis also assesses whether companies are in violation of the principles of the OECD Guidelines for Multinational Enterprises. The exclusions resulting from this analysis allow us to implement the DNSH principle, ensuring investments respect key principles and indicators and hence do not harm a range of environmental and social domains.

Our analysis encompasses the aforementioned UNGC and OECD Guidelines for Multinational Enterprises, as well as the UN Guiding Principles on Business and Human Rights, and the core principles of the International Labour Organisation's conventions on Labour Rights, as well as the protections outlined in the International Bill of Human Rights.

For sovereign issuers, Candriam's negative screening for sovereign issuers is applied through two analyses: Oppressive regimes and a normative filter:

- **Oppressive regimes:**

The first step in Candriam's negative ESG screening is to exclude⁵ countries classified as oppressive regimes, characterized by severe human rights violations, systemic ethical breaches, the denial of fundamental liberties, and government-led conflict or repression. Through this filter we implement PAI 16.

- **Norms-based analysis:**

We exclude countries flagged as follows:

- Financial Action Task Force Call for Action List – state sponsors of terrorism;
- Freedom House's Freedom in the World Index – states that are considered Not Free.

In addition, discretion is applied to countries that are violators of international agreements or are likely to experience a material deterioration of their sustainability status, but such violations or deterioration are not yet reflected in the available data.

2. ESG assessment

Candriam's ESG Investments and Research Department has developed a holistic ESG analytical framework for both corporate and sovereign issuers. They are analysed from an environmental, social and governance perspective, leading to ESG Ratings that consider the PAIs of these issuers both directly and indirectly.

For corporate issuers, Candriam integrates ESG data and analysis into investment decisions employing a two-pronged approach: 1) a Business Activities Analysis which evaluates the "What" (activities) of an issuer and 2) a Stakeholders Analysis which assess "How" a company interacts with its stakeholders.

To conduct an overall, in-depth ESG assessment of each issuer, Candriam deploys its proprietary ESG analytical framework, which is based on a two-pronged approach:

- **Business Activities Analysis:**

This analytical step examines *what* a company does, i.e. its activities. It is a strategic assessment of how a company's activities impact – adversely or positively – a range of Key Sustainable Challenges, including Climate change, Resource Depletion, Health & Wellness, Digitalisation and Demographic Evolution. Thus, this step allows us to identify the potential PAIs of companies' activities, in particular climate and other environment-related PAIs. As a result of the Business Activities Analysis, each company receives a **Business Activities Score**, that encapsulates the company's activities impact on the aforementioned Key Sustainability Challenges. This means that activities with negative externalities receive a negative score based on scientifically determined rationale and performance metrics (e.g., CO₂/Kw)

- **Stakeholders Analysis:**

This analysis assesses *how* a company interacts with its stakeholders, including the Environment, Society, Customers, Suppliers, Investors and Employees. By evaluating the impacts, a company

⁴ Candriam's full Exclusion Policy is available at the following link:

<https://www.candriam.com/siteassets/medias/publications/brochure/corporate-brochures-and-reports/exclusion-policy/candriam-exclusion-policy-en.pdf>

⁵ Please note that certain mandates or dedicated funds for which Candriam serves as the management company do not apply Candriam's Exclusion Policy, but follow external exclusions.

has on these stakeholders' long-term interests, this analysis allows us to address a range of PAIs, in particular in the social domain and those related to employees, Human Rights, corruption and bribery. Each company is given a **Stakeholder Score** which reflects these elements.

Importantly, our analytical framework integrates the notion of materiality – meaning that different Key Sustainability Challenges and Stakeholders, and therefore different PAIs, have different levels of relevance for different sectors.

For sovereign issuers, Candriam's proprietary ESG analysis is structured around four categories of sustainable development criteria: Human Capital, Natural Capital, Social Capital and Economic Capital. These four capital domains incorporate a wide range of material ESG criteria which we evaluate using KPIs, as defined by the framework. Our materiality assessment is performed at every level in the framework, ensuring that a country score properly reflects what is important for the future development of that particular country. Through the analysis of these four forms of sovereign capital, our analysis covers the PAIs defined by the regulation for sovereign issuers. For example, Candriam's Natural Capital pillar addresses GHG intensity (PAI 15) through a proprietary emissions model that tracks carbon emissions by industry and fuel type. This model accounts for emission trends, integrates sector-specific decarbonisation efforts, and imposes penalties for continued reliance on high-emission fuels like coal, oil, and gas. By adjusting carbon intensity based on decarbonisation progress, Candriam incentivises a transition to more sustainable practices.

3. Stewardship (engagement and voting)

Candriam's engagement activities contribute to avoiding or mitigating PAIs via dialogue and voting⁶, and are hence an additional lever in integrating the DNSH principle.

We prioritise engagements based on the most material and relevant ESG challenges confronting industries and issuers by considering the most important PAIs, as well as the repercussions of those challenges and adverse impacts on companies' activities, stakeholders, and society.

For each dialogue we initiate and for every vote we cast at special or annual general shareholder meetings, we assess what PAIs to consider and what the best engagement approach is. Our engagement (and escalation) choices also take into consideration our list of issuers exhibiting high PAI data, which in turn feeds our engagement watchlist.

Candriam's engagement policy is validated by Candriam's Group Strategic Committee and is reviewed regularly.

PAI monitoring process

In addition to the three levers outlined above, we have implemented a PAI monitoring process. The process serves as an additional layer that ensures the in-depth integration of PAIs and of the DNSH principle into our sustainable investment decisions.

This process is performed by the ESG Team in collaboration with Candriam's Risk Management Team. It focuses on issuers exhibiting outlier characteristics, which is to say very high PAI figures. Specifically, each month the Risk Management Team identifies issuers with PAI indicator figures higher than the 97.5th percentiles of their respective benchmarks, the so-called PAI outliers list. Two benchmark types are considered here: One for developed market investment-grade issuers (e.g., MSCI World, iBoxx Euro Corporate) and one for emerging market and high-yield issuers (e.g., MSCI Emerging Markets, ICE Global High Yield).

For such issuers, the ESG Team conducts an in-depth, nuanced assessment on PAIs currently under consideration and that are neither binary (Yes, No) nor percentages. This assessment is qualitative in nature rather than relying purely on hard exclusions based on absolute thresholds. In fact, we take into consideration the quality of data sourced from external providers as well as each company's specific circumstances and the actions it takes to mitigate PAIs. This approach allows for a comprehensive evaluation of PAI-related risks, of issuers' efforts to address these impacts, and of their future potential to operate in ways that do not significantly harm environmental and social objectives. Ultimately, the approach is designed to ensure that investments align with sustainability goals and mitigate adverse PAIs.

⁶ Please note that certain mandates or dedicated funds for which Candriam serves as the management company do not apply Candriam's Engagement or Voting Policy. For more details on the voting scope, please refer to Candriam's Voting Policy.

The outlier list is regularly reviewed by our Sustainability Risk Committee and informs engagement watchlists that guide escalation decisions.

For more details regarding the assessment of DNSH please refer to Definitions and Methodologies under the SFDR webpage via: <https://www.candriam.com/en-fr/professional/sfdr/#definitions-and-methodologies>.

2.2. How the sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights

The alignment with international conventions on human and labor rights, environmental and corporate governance principles is implemented through Candriam's Norms-based Analysis, which is an integral part of Candriam's ESG analytical framework.

The investments made via Candriam's Article 8 products are subject to an in-depth Norms-based Analysis, which examines issuers' compliance with international social and human rights, environmental and anti-corruption standards.

These norms include the United Nations Global Compact (UNGC) and the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development (OECD). Moreover, the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and International Bill of Human Rights are part of the many international references integrated into our analysis.

3. Environmental or social characteristics of the financial product

Article 8 products covered by this disclosure promote environmental and social characteristics.

The following sections detail Candriam's approach to assessing the promotion of environmental and social characteristics, first for corporate issuers and then for sovereign issuers.

3.1. Promoting environmental and social characteristics – Corporate issuers

For corporate issuers, Candriam uses its proprietary ESG analytical framework to conduct in-depth assessments of issuers' overall sustainability. This ESG analysis results in an ESG Rating for each issuer that reflects its sustainability performance across several dimensions. This assessment combines an evaluation of how a company's activities contribute to key sustainability challenges (Business Activities Analysis) and an assessment of how it treats stakeholders and manages ESG-related risks (Stakeholders Analysis).

These two analytical dimensions are described in more detail below.

- **Business Activities Analysis**

Through their business activities, companies are exposed to long-term structural Key Sustainability Challenges that can significantly influence their operating environment and create risks or growth opportunities.

Similarly, these companies, through their activities, can contribute positively or negatively in addressing these long-term sustainability challenges. Candriam has identified five Key Sustainability Challenges that are likely to reshape the functioning of our economies:

- Climate Change
- Resource Depletion
- Health & Wellness
- Digitalisation
- Demographic Evolution

Various sectors will face different sustainability challenges and varying exposures to potential disruption. These risks and opportunities, as well as their impact on sectors, are taken into account in this part of Candriam's ESG analysis. We assess and score the contribution to the relevant Key Sustainability Challenges of each of the more than 1,200 Business Activities that exists across economic sectors and that are covered in our ESG Analysis framework. An issuer's Business Activities Score ranges from 0 (strongly detrimental) to 100 (strongly contributing), based on scientific research, academic and industry expert knowledge.

A company's overall Business Activities Score will be the weighted average (based on revenue breakdown) of each of its Business Activities' contributions to the Key Sustainability Challenges that are material for its sector. This overall Business Activities Score at the company level ranges from 0 (strongly detrimental) to 100 (strongly contributing) and reflects whether the company's activities contribute to and are impacted positively or negatively by sustainable development.

- **Stakeholders Analysis**

The way companies manage their relationships with their stakeholders gives rise to sustainability-related risks and opportunities that are determinants of resiliency and can impact companies' long-term growth and value. How a company manages its stakeholders, i.e., takes into account their long-term interests in its strategy and operations, is essential in assessing whether a company conducts its activities in a sustainable and responsible fashion.

Candriam has identified six categories of stakeholders that are essential to current and future corporate sustainability and that can be impacted by corporate behaviours:

- Environment
- Society
- Investors
- Employees
- Suppliers
- Customers

As a result of Candriam's ESG analysis, each issuer is assigned two scores, which evaluate different dimensions of its ESG performance:

- **a Business Activities Score** that determines whether the company's activities (what a company does) are contributing to and being impacted positively or negatively by Key Sustainability Challenges (Climate change, Resource Depletion, Health & Wellness, Digitalisation, and Demographic Evolution).
- **a Stakeholder Score** that evaluates how the issuer manages its impacts on and the interests of its key stakeholders (Environment, Society, Employees, Suppliers, Customers and Investors).

Together, the Business Activities Score and the Stakeholder Score determine an overall ESG Rating for each issuer. The overall ESG Rating measures both the positive and negative contributions companies make to Key Sustainable Challenges and to their stakeholders, as well as the steps they take to avoid causing significant harm. For each sector, a different level of materiality, i.e. importance (and thus weight), is given to the Business Activities and Stakeholders Analysis dimensions, depending on whether it is the sustainability of activities or the responsibility of practices that are key in determining companies' sustainable performance. A company's ESG Rating is determined by the materiality-weighted combination of its Business Activities Score and its Stakeholders Analysis Score. The ESG Rating can range from ESG1 (sustainability leader) to ESG10 (sustainability laggard / detrimental). Products classified under SFDR Article 8 may invest in companies within a specified ESG Ratings range, which may depend on the asset class.

Furthermore, all of Candriam's Article 8 products aim to invest a proportion of their assets in sustainable investments.

To identify and select issuers contributing to this proportion, Candriam has developed and implemented a dedicated process for assessing and scoring companies' contributions to environmental and/or social objectives. This process results in an Environmental (E) and Social (S) Contribution Score for each company. This process integrates specific elements of the Business Activities and Stakeholders Analysis to evaluate sustainability and responsibility. Depending on the nature of the sector, Candriam evaluates the Environmental Contribution, the Social Contribution, or a combination of both. The E and S Contribution Scores determine whether companies qualify as 'Sustainable Investments' under SFDR. To be eligible, companies must score at least 50 in one or both categories and meet ESG Rating, DNSH, and Good Governance criteria⁷.

For corporate issuers held in Article 8 products, Candriam aims at:

- avoiding exposure to companies that present both significant and serious structural risks and are most strongly in breach of normative principles, including practices related to environmental and social issues as well as compliance with standards such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises.
- reducing exposure to companies that are heavily exposed to controversial activities such as the involved in the development, production, testing, maintenance, and sale of controversial weapons, as well as those involved in activities such as thermal coal. Furthermore, companies directly involved

⁷ For more information, please refer to Candriam's Sustainable Investment Definition, available via the following link: <https://www.candriam.com/en-fr/professional/sfdr/#definitions-and-methodologies>

in the manufacturing of tobacco products are excluded from all of our investments, as well as those deriving more than 5% of their revenues from retailing of tobacco products⁸.

The characteristics mentioned above are not exhaustive. The financial product may also promote other environmental and social characteristics that are deemed beneficial and aligned with its investment objectives⁹.

3.2. Promoting environmental and social characteristics – Sovereign and supranational issuers

For sovereign issuers in Article 8 products, Candriam aims at avoiding exposure to countries considered to be oppressive regimes.

The characteristics mentioned above are not exhaustive. The financial product may also promote other environmental and social characteristics that are deemed beneficial and aligned with its investment objectives⁵.

As mentioned above, all Article 8 products seek to invest a minimum proportion of their assets in sustainable investments.

A sovereign security is considered a sustainable investment if the issuing country is not on Candriam's Oppressive Regime List, the Financial Action Task Force (FATF) 'Call for Action' list, or identified as 'not free' by Freedom House. Additionally, the issuing country must meet Candriam's ESG eligibility criteria across Natural Capital, Human Capital, Social Capital, and Economic Capital. Countries are evaluated on potential damage to Natural Capital while creating value in Human, Social and Economic Capitals, which is the concept of "Environmental Efficiency"⁴.

A supranational issuer can be deemed sustainable if its mission contributes positively to sustainable development and has not committed major breaches of United Nations Global Compact (UNGC) Principles, according to our Norms-based Analysis⁴.

⁸ Candriam's full Exclusion Policy is available at the following link:
<https://www.candriam.com/siteassets/medias/publications/brochure/corporate-brochures-and-reports/exclusion-policy/candriam-exclusion-policy-en.pdf>

⁹ Please refer to the pre-contractual disclosure for the environmental and social characteristics promoted by the fund, available via the following link: <https://www.candriam.com/en/professional/funds-listier/>

4. Investment strategy

4.1. Investment strategy used to meet the environmental or social characteristics promoted by the financial product

In order to meet the environmental or social characteristics, Candriam's Article 8 products follow an investment strategy that aims to reduce ESG risks, mitigate PAIs and assess issuers' contributions to sustainability-related goals. To achieve this, the investment strategy employs a disciplined and comprehensive ESG framework, described in further detail below.

In its investment strategies, Candriam considers all sustainability-related challenges, including ESG-related risks and opportunities, that could potentially impact an issuer operationally, reputationally, strategically, and/or financially. ESG risks and opportunities are defined as follows and are integrated into the four dimensions mentioned above:

- **Environmental:** Candriam assess climate-related physical and transition risks using a double-materiality approach. Our proprietary ESG Analysis framework assesses how Business Activities in the way they impact the environment, either positive or negative, could present risks or opportunities to the issuer. Business Activities On the other hand, environmental events may create physical risks that result from climate change, biodiversity loss, or changing ocean chemistry. Additionally, companies may be negatively impacted by mitigation measures, with effects varying based on their exposure and adaptation to environmental risks.
- **Social:** Candriam considers risks and opportunities stemming from human capital, customers, human rights, and supply chain management. Factors like gender equality, compensation, health and safety, and working conditions impact the social dimension of an issuer. Social risks include potential violations of human or labour rights within the supply chain and are weighted according to the issuer's sector to enhance risk assessment.
- **Governance:** These aspects are linked to the governance structure and include board independence, board oversight and control, relationships with employees, compensation, and compliance or tax practices. Governance risks arise from poor governance, including minority protection loss, succession risk, power concentration, and lack of board independence at the Audit Committee level.

a. Description of the type of investment strategy used to meet the environmental or social characteristics promoted by the financial products

Candriam's Article 8 products use an investment strategy that fully incorporates thorough ESG analysis. In fact, each issuer in the potential investment universe is analysed through our ESG framework. This analysis results in the identification of issuers that allow the products to meet the environmental or social characteristics.

The cornerstones of this ESG analysis are presented below, first for corporate issuers, then for sovereign issuers.

Please note that strategies described below are those applied to Candriam's Article 8 products. Additionally, specific investment strategies can be applied to certain products on a case-by-case basis. Such ad-hoc investment strategies are described in the products' related webpages of Candriam website.

Investment strategy used for corporate issuers to meet the environmental or social characteristics

To evaluate the sustainability-related risks, opportunities, and environmental or social characteristics of a corporate issuer, we apply a multi-dimensional analysis that sets clear requirements and minimum thresholds. Candriam's corporate ESG analytical framework is structured around the following components:

Candriam's Proprietary ESG analysis:

Candriam's proprietary ESG analysis combines Business Activities and Stakeholders Analysis for a comprehensive, materiality-based, and forward-looking sustainability assessment. This analysis is applied through two distinct but interconnected processes, as described in section 3.

- **Overall ESG assessment**

Our analysis allows for an evaluation of the sustainability-related risks and opportunities that issuers face and assesses corporate sustainability. This overall ESG analysis results in an ESG Rating for each issuer that reflects the company's sustainability performance across several dimensions.

- **Specific E/S contribution assessment:**

Candriam uses specific elements of its ESG analytical framework in a dedicated process for assessing contributions to environmental and/or social objectives, which results in an Environmental Contribution Score and/or Social Contribution Score for each issuer.

In-depth negative screening:

The negative screening aims at excluding companies involved in controversial activities or not respecting principles of recognised norms, through two key analyses: Controversial Activities Analysis and Norms-based Analysis:

- **Controversial Activities Analysis**

Candriam's Controversial Activities Analysis identifies issuers that carry out activities that exhibit a very negative profile from both a sustainability and financial perspective. The potential harm these activities do to environmental and social objectives and the risks associated with investing in these activities - such as systemic and reputational risks - cannot be offset by financial gains. Candriam excludes issuers involved in such activities according to revenue thresholds and other criteria set out in our Exclusion Policy.

Candriam's Article 8 products apply either our Level 1 Company-Wide Exclusion or Level 2 Exclusions. These policies exclude companies that are significantly exposed to controversial activities such as, but not limited to, tobacco, thermal coal and weapons.

For a detailed description of the Level 1 Company-Wide Exclusion or Level 2 Exclusions, please refer to the [Exclusion Policy | Candriam](#).

- **Norms-based Analysis**

To reduce ESG risks and account for far-reaching societal changes, Candriam's Article 8 products apply a Norms-based controversy Analysis. This analysis allows us to identify and exclude companies that have significantly and repeatedly breached the Principles the OECD guidelines for multinational enterprises or the United Nations Global Compact on Human Rights, Labour, Environment and Anti-Corruption.

In order to pass the Norms-based Analysis, issuers must be free of severe controversies related to impact, duration, frequency, or inadequate management response in any area. Our approach evaluates controversy severity beyond the UN Global Compact Principles, encompassing all materially harmful corporate practices. This approach upholds minimum safeguards and aligns with the UNGC, OECD Guidelines, UN Guiding Principles on Business and Human Rights, ILO conventions on labor rights, and the International Bill of Human Rights.

Engagement: Dialogue and Proxy Voting:

Engagement and voting are key parts of Candriam's investment process, given their importance as a means to discuss and foster sustainability impacts with investee companies. Candriam engages with the management of investee companies on a range of sustainability issues. This can take the form of a direct dialogue between Candriam and the representatives of the company or take place via collaborative initiative.

Both dialogues and voting activities contribute to the promotion of environmental or social characteristics of financial products.

Investment strategy used for sovereign issuers to meet the environmental or social characteristics

For sovereign issuers, Candriam's ESG framework is designed to assess countries' ability to manage sustainability-related challenges in their development of four forms of sovereign capitals: Natural Capital, Human Capital, Social Capital and Economic Capital.

The Environmental, Social and Governance (ESG) factors used in this ESG sovereign framework are then taken into account in our sovereign bond selection process.

Any country with severe violations of human rights perpetrated by the state, and thus on Candriam's Highly Oppressive Regimes List, is excluded.

b. Binding elements of that strategy to select the investments to attain that objective

The investment strategy used to uphold the environmental or social characteristics promoted by Candriam's Article 8 products contains binding elements such as an exclusions policy comprising a normative filter as well as the exclusion of certain controversial activities as described in Candriam's Exclusions Policy.

Moreover, the portfolio is constructed in order to achieve or to respect:

- The defined minimum proportion of investments which have environmental or social characteristics, and
- The defined minimum proportion of sustainable investments.

In addition, as described in the products' webpages, the products may comply with sustainability indicator targets or minimum rates of reduction of the investment universe.

c. How the strategy is implemented in the investment process on a continuous basis

The investment strategy is implemented on a continuous basis following a well-defined investment process and a strict risk management framework. The risk management framework is described within our Sustainability Risk Policy. Risk monitoring of the investment strategy of the financial product aims to ensure that investments are, at all times, aligned with and take into account the environmental, social and governance objectives and sustainability thresholds defined for the product.

Compliance with the investment process and the risk management framework is monitored through the constraint servers in the portfolio management system of fund managers. Candriam's Risk Management Department is solely responsible for setting the risk constraints of fund portfolios, including those that relate to the binding ESG elements. Moreover, in the case of rules that cannot be subject to regular controls by the Risk Management Department due to technical reasons, the Sustainability Risk Committee is informed.

As further explained in Section 6, any breach is reported to the portfolio manager, with corrective action requested. The (Global) Head of the portfolio manager and the Global Head of ESG Investment and Research are also informed. If relevant, the portfolio manager may be asked to explain the breach.

Newly identified breaches within the ESG Universe are reviewed by Candriam's Sustainability Risk Committee, which may take further action, such as informing Portfolio Management teams, modifying internal rules, or notifying the Executive Committee.

4.2. The policy to assess Good Governance practices of the investee companies and sovereign issuers

a. Corporate issuers

Good Governance practices are pivotal to a sustainable future. Candriam uses 5 key pillars to ensure the soundness of a company's governance.

Corporate governance is a key aspect of Candriam's Stakeholders Analysis. In this respect, our ESG Analysts assess:

- How a company interacts with and manages its relevant stakeholders, and
- How a company's board addresses its governance and fulfills its duties with respect to disclosure and transparency as well as the consideration of sustainability objectives.

To assess a company's governance practices with respect to sound management structures, employee relations, remuneration of staff and tax compliance as defined by SFDR, we evaluate companies' good governance on 5 key governance pillars (amongst other criteria):

1. Strategic direction: an assessment of the independence, expertise and composition of the board, to ensure that the board acts in the best interests of all shareholders and other stakeholders and as a counterbalance to management.
2. Audit committee and auditor independence: an evaluation to avoid any conflicts of interests.
3. Transparency on executive remuneration: an analysis of how executives and the remuneration committee can be held accountable by shareholders, and whether top executives' incentives align with long-term shareholder interest.
4. Share capital: an examination of whether

Assessment of Good Governance

Candriam assesses companies' compliance with Good Governance practices, as outlined in SFDR, through the Stakeholders Analysis that is part of its overall ESG assessment, as well as through its Norms-based Analysis.

- **Stakeholders Analysis**

Candriam's Stakeholders Analysis evaluates a company's ability to incorporate stakeholder interests into its long-term strategy and impact. These stakeholders are the Environment, Society, Employees, Suppliers, Clients, and Investors. The Good Governance quality is examined in detail, notably through the Investors pillar. The Investors Score of an issuer should not be inferior to 10 to avoid being screened out due to lack of appropriate corporate governance. Companies for which this analysis reveals incompatibility with Good Governance practices will not be eligible for 'Sustainable Investment'.

- **Norms-based Analysis**

Candriam's Norms-based Analysis examines companies' alignment with Good Governance principles and ensures adherence to anti-corruption and labour standards, excluding those with severe violations. This includes, among others, severe controversies regarding bribery of national public officials, abuse of functions, illicit enrichment, financial obstruction or irregularities, tax evasion, or anti-competitive practices.

For more details regarding the assessment of Good Governance practices please refer to Candriam's Sustainable Investment Definition under Definitions and Methodologies of the [SFDR webpage on Candriam's website](#).

b. Sovereign issuers

Sovereigns' Good Governance practices are pivotal and assessed at all levels of our Sovereign ESG analysis, to ensure our investments participation in a sustainable future within countries and across all regions. Candriam articulates the evaluation of the Good Governance of sovereign issuers around two analyses:

- Four Capitals that constitute risks and opportunities of a country:
 - o Natural Capital: Stock of natural resources managed by the country.
 - o Social Capital: Trust, norms and institutions which people can rely on to solve common problems and create social cohesion.
 - o Human Capital: Human productivity to which the country participates through education and other initiatives.
 - o Economic Capital: assessing the level of economic activity viability.
- Normative filter, excluding countries falling under the scope of the below classification or list:
 - o "Not Free" by Freedom House
 - o Candriam's Oppressive Regime List
 - o "Call to Action" by Financial Action Task Force

5. Proportion of investments

5.1. A narrative explanation of the investments of the financial product

In line with SFDR requirements, and using Candriam's proprietary ESG analytical framework, an issuer's compliance with the characteristics of a "sustainable investment" determines its eligibility for investment. The following sections provide further explanations on how we apply the notion of sustainable investment.

a. For Corporate issuers

Candriam's proprietary ESG analytical framework for corporates enables setting clear requirements and minimum thresholds to identify the companies that qualify as sustainable investments. We ensure that these companies:

- Engage in economic activities that contribute to environmental and/or social objectives,
- Do not cause significant harm to any other environmental and/or social objective and comply with minimum safeguards, and
- Respect Good Governance principles.

Through our ESG analytical framework for corporates, we assess a company's ability to contribute to environmental and/or social objectives. In order to evaluate whether a company meets the requirements of SFDR for sustainable investments, we:

- Conduct two negative screenings: Norms-based Analysis and Controversial Activities Analysis. These screenings include minimum safeguards with respect to international norms and conventions and allow for the exclusion of activities that Candriam deems harmful to environmental and/or social sustainability objectives.
- Perform two positive ESG assessment and screenings leading to an ESG Rating: Stakeholders Analysis and Business Activities Analysis. These screenings enable Candriam to identify and assess sustainability-related risks and opportunities, as well as issuers' contributions to sustainability objectives.
- Conduct an E/S contribution assessment: For this assessment, Candriam applies specific elements of its ESG analytical framework in a dedicated process to assess contributions to environmental and/or social objectives, resulting in an Environmental Contribution Score and/or Social Contribution Score for each issuer.

For more details regarding these methodologies and definitions, please refer to the Definitions and Methodologies section of the [SFDR webpage on Candriam's website](#).

b. For sovereign & supranational issuers

Candriam's ESG analytical framework for sovereign and supranational issuers enables to set clear requirements and minimum thresholds to identify issuers that qualify as sustainable investments.

Sovereign issuers

A sovereign issuer is considered a 'sustainable investment' if the country:

- Is not considered oppressive according to Candriam's Oppressive Regime Analysis,
- Is not on the Financial Action Task Force Call for Action list,
- Is not identified as not free by Freedom House, and
- Meets our criteria for ESG eligibility across Natural Capital, Human Capital, Social Capital and Economic Capital.

For more details about these methodologies and definitions, please refer to the SFDR section on the Candriam website.

Supranational issuers

A supranational issuer is considered a sustainable investment if its mission makes a positive contribution to the economic and social development of regions and countries and if it has not committed any major systematic breach of the Principles of the UN Global Compact, according to Candriam's Norms-based Analysis.

Please note that these definitions of sustainable Sovereign and Supranational issuers may evolve in response to further regulatory clarifications.

5.2. Proportion of the investments of the financial product used to meet the environmental or social characteristics

In accordance with SFDR, Candriam has defined a minimum proportion of investments used to meet the environmental or social characteristics for its Article 8 products.

Article 8 products aim to invest a minimum percentage comprised between 51% and 70% of their total net assets in investments with environmental and social characteristics. A minimum percentage comprised between 10% and 51% of these investments with environmental and social characteristics will consist of sustainable investments for Article 8 products. A maximum percentage comprised between 49% and 30% of the products' total net assets can be allocated to other assets as defined below.

For more details about the minimum proportion of sustainable investments and investments with environmental and social characteristics, please refer to the products related webpages on Candriam website.

Investments with environmental and social characteristics are investments which have been assessed under Candriam's proprietary ESG analysis. In addition, such investments will need to comply with Candriam's Company-Wide exclusions on both controversial activities and normative screening. Investments with E/S characteristics must display good governance practices.

The definition of sustainable investments is based on Candriam proprietary ESG Analysis.

5.3. Purpose of the remaining proportion of the investments of the financial product

Investments that are neither aligned with environmental or social characteristics nor considered as sustainable investments can be present in the financial product for a maximum percentage comprised between 49% and 20% of the financial product's total net assets. These investments comply with minimum Environmental and Social safeguards. Please find more information on the characteristics and use of these investments below.

- Cash: Cash at sight, cash deposit, reverse repos needed to manage the liquidity of the financial product following subscriptions/redemptions and/or being an investment decision due to market conditions that can be purchased for diversification purposes;
- Other investments (including single-name derivatives) which may be purchased for diversification purposes; or
- Non-single-name derivatives instruments used for efficient portfolio management and/or for hedging purposes and/or temporarily following subscriptions/redemptions.

6. Monitoring of environmental or social characteristics

The continued monitoring of environmental or social characteristics and proportion of sustainable investments is crucial, and is ensured by an ESG investment policy, specific fund management investment committees, risk management and independent compliance controls. In case of breaches, these are reviewed by a Sustainable Risk Committee which will decide on suitable actions. Details of these monitoring mechanisms are provided in the next paragraphs.

Candriam's ESG investment process is a two-step process that first of all calls for the definition of the ESG-eligible investment universe. Candriam's ESG Analysts provide views on issuers that determine the eligibility and, as a consequence, the ESG investment universe for the portfolio manager teams. Any investment outside the ESG eligible universe is prohibited.

The second step involves selection within this universe using a combination of financial and ESG considerations. Portfolio managers apply their respective investment processes and select issuers from the ESG-eligible universe.

All portfolio managers of Candriam's Article 8 products have to respect Candriam's ESG investment policy which defines the specific ESG constraints and divestment conditions in case of change in issuer eligibility.

Candriam's ESG Analysts are responsible for the sustainability analysis of companies and countries. The details of this ESG analysis, including conclusions and ratings, are archived in Candriam's dedicated ESG platform and database, which is used to create the ESG Universe. Each analyst is responsible for specific sectors. Country assessments are also handled by dedicated analysts.

This means they are responsible for the relevant sector-specific models, country assessment methodology, ESG ratings, and launching SRI Alerts in case of controversies and/or potential changes in the issuer's eligibility status.

It is the responsibility of the ESG Team to alert Portfolio Management Teams and Risk Management if sector models/countries assessment methodology, rules or principles change over time.

Similarly, it is the responsibility of ESG Team to alert Portfolio Management Teams and Risk Management if the list of controversial activities, including thresholds, changes. Apart from the Portfolio Management teams, Risk Management is responsible for second line-of-defense controls.

Compliance and Risk Management conduct independent verifications of the alignment of portfolios with internal rules. This is carried out through constraint servers managed by Risk Management. The Sustainability Risk Committee is informed of any rules that Risk Management cannot enforce due to technical limitations.

Any detected breaches are directly communicated to the relevant portfolio manager with a request to rectify the violation and bring the respective portfolio in line with rules and constraints. This communication is also shared with the (Global) Head responsible for the portfolio manager and with the Global Head of ESG Investment and Research. When relevant, the portfolio manager will be asked to provide an explanation for detected breaches. These breaches, which relate to the ESG-eligible universe, will also be reviewed by the Sustainability Risk Committee. This committee determines necessary actions, including communication to all portfolio managers, updates to internal rules, informing the Executive Committee, and other relevant measures.

ESG and sustainability indicators defined in the prospectus of Candriam's Article 8 products (such as ESG score, carbon footprint) are monitored by Risk Management.

In addition, as described in the products' related webpages available on Candriam's website, the products may adhere to sustainability indicator targets or minimum reduction rates of the investment universe.

7. Methodologies

Candriam's Article 8 products, covered by this disclosure, aim to promote environmental and social characteristics while, at the same time, striving to exceed the benchmark on verifiable impact indicators.

a. For corporate issuers

Candriam leverages its Candriam's ESG analytical framework to assess the environmental and/or social characteristics of the financial product. For sustainable investments, Candriam assesses the sustainability of companies by setting minimum thresholds for qualifying as Sustainable Investments.

Proprietary ESG analysis

Candriam's proprietary ESG analysis combines Business Activities Analysis and Stakeholders Analysis for a comprehensive, materiality-based, and forward-looking sustainability assessment.

- **Business activities**

As part of this assessment, Candriam's ESG Analysts aim to measure to what extent companies' products and services contribute, positively and/or eThis assessment, along with the analysis of stakeholder management, forms the foundation of each company's overall ESG score.

- **Stakeholders**

This analysis assesses how a company interacts with and manages its stakeholders, including the Environment, Society, Customers, Suppliers, Investors and Employees. Each company is given a Stakeholder Score which reflects these elements.

- **ESG Rating**

The overall ESG Rating is monitored for each company. It is one of the elements that Candriam measures and monitors in order to assess the achievement of the sustainability objective.

It measures both the positive and/or negative contributions companies make to Key Sustainable Challenges and the steps they take to avoid causing significant harm to the Environment, Society, Employees, Clients, Suppliers and Investors.

Products classified under SFDR Article 8 may invest in companies within a specified ESG Ratings range, which may depend on the asset class.

Assessment of contributions to an environmental and/or social objective:

As describe above, all of Candriam's Article 8 products aim to allocate a minimum proportion of their assets to sustainable investments¹⁰. As part our sustainable investment approach, Candriam has developed a dedicated process to assess and score companies' contributions to environmental and social objectives.

This process evaluates companies' environmental and social contributions, assigning Environmental (E) and Social (S) Contribution Scores. This process integrates the Business Activities Analysis and Stakeholders Analysis to evaluate sustainability and responsibility.

For environmental contributions, Candriam examines companies' roles in addressing Climate Change and Resource Depletion through their Business Activities and their management of environmental impacts on stakeholders.

For social contributions, Candriam assesses how companies address Key Sustainability Challenges like Health & Wellness and Digitalisation through their Business Activities and stakeholder management, particularly focusing on employees and suppliers.

Candriam uses these elements to assess contributions to environmental and/or social objectives, which results in an Environmental Contribution Score and/or Social Contribution Score for each issuer. The Environmental/Social Contribution Score, ranging from 0 to 100, combines scores from Business Activities Analysis and Stakeholders Analysis.

¹⁰ For more information please refer to Candriam's Sustainable Investment Definition, available via the following link: <https://www.candriam.com/en-fr/professional/sfdr/#definitions-and-methodologies>

- **In-depth negative screening**

Candriam's negative screening excludes companies involved in controversial activities or violating recognised norms through two analyses:

- **Controversial activities**

Candriam excludes certain controversial activities from all directly managed portfolios to mitigate sustainability risks. It also encourages third parties to adopt similar exclusions. For example, Candriam excludes all companies directly involved in the tobacco industry, including those generating any revenue from manufacturing or more than 5% from tobacco retail. Additionally, we exclude companies involved in the development, production, testing, maintenance, or sale of a wide range of controversial weapons, as well as those involved in thermal coal activities (5% revenue threshold). Furthermore, we exclude companies that manufacture tobacco products and those deriving more than 5% of their revenue from tobacco retail.

- **Normative analysis**

Candriam excludes through normative analysis issuers that would prevent the achievement of the sustainable objective and in particular on issues related to Human Rights, Labour, the Environment and Anti-corruption. This analysis enables us to establish strong environmental and social indicators. Companies that breach these principles, including labour rights and anti-corruption standards, are excluded or divested if they do not meet the criteria.

b. For sovereign issuers

For sovereign issuers, Candriam's analytical framework applies the concept of 'Environmental Efficiency'. Countries are evaluated on the efficiency with which they create well-being in the form of Human, Social, and Economic Capitals, accounting for potential depletion of or damage to the natural environment in the process of creating this well-being.

c. Environmental or social characteristics

Unless stated otherwise in the prospectus, Candriam's Article 8 products aim to reduce carbon emissions either relative to their benchmark or below an absolute threshold. As a reminder, Candriam implements across all directly managed investment portfolios an exclusion policy targeting thermal coal extraction. For sovereign issuers, Candriam excludes countries that are regarded as oppressive regimes, characterized by severe human rights violations, systemic ethical breaches, denial of fundamental liberties, and government-led conflict or repression.

8. Data sources and processing

8.1. Data sources used to meet environmental or social characteristics

In order to meet each of the environmental or social characteristics promoted by the financial product, Candriam integrates climate and social sustainability indicators into directly managed strategies. These can vary depending on the product.

Please find below a non-exhaustive list of Sustainability indicators monitored by Candriam in Article 8 products. For more details on Sustainability indicators, please refer to our policy on “ESG and Impact Indicators - Definitions and Methodology,” available on our [website](#).

Metric	Definition	Source
GHG emissions	Company's carbon emissions measured in tons of carbon dioxide equivalent (tCO ₂ -eq). Three scopes of carbon emissions can be distinguished: <ul style="list-style-type: none"> • Scope 1 emissions are direct emissions from owned or controlled sources. • Scope 2 emissions are indirect emissions from the generation of purchased energy. • Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions Green bonds are excluded from calculations and will be integrated once reliable and standardized data at the instrument level on their use of proceeds is available.	Trucost
Green bond	Reflects issuer's intended use of the capital raised by the offering to finance projects that have positive environmental or climate effects (for example clean energy plants and projects such as wind and solar).	Bloomberg
High stake	Sectors listed in Article 3 of EU Climate Transition (CTB) and EU Paris-aligned Benchmark (PAB) Regulation	Delegated regulation (EU) C(2020) 4757
Carbon Impact Analysis (CIA) Overall Rating	The methodology is based on a bottom-up analysis, adapted to each sector, which models sectoral decarbonisation trajectories based on IPCC scenarios and IEA sectoral trajectories. It is a detailed assessment of the specific climate performance of each issuer, which integrates past, present and future performance in terms of greenhouse gas emissions, as well as analysis of the company's ability to meet its climate objectives, focusing in particular on its governance, strategy and investment plans.	Carbon4Finance
ESG score	Score resulting from Candriam internal ESG analysis: <ul style="list-style-type: none"> • For corporate issuers, analysis is done from two angles: analysis of the impacts of Business Activities (products and services) and management of companies' key stakeholders. • For sovereign issuers, it incorporates the four essential dimensions of sustainability: human capital, natural capital, social capital and economic capital. More details on Candriam's ESG analysis methodology are available in the transparency code.	Candriam
Freedom House Index (FHI)	“Freedom in the World is an annual global report on political rights and civil liberties, composed of numerical Ratings and descriptive texts for each country and a select group of territories. The 2021 edition covers developments in 195 countries and fifteen territories. The report's methodology is derived in large measure from the Universal Declaration of Human Rights, adopted by the UN General Assembly in 1948.”	Freedom House
R&D expenditure	Research and development expenditure as a proportion of the company's market capitalisation	Bloomberg
% Doctorates	Percentage of senior executives of the issuing company holding a doctorate	Bloomberg
% Women Board	Percentage of female board members at the issuer company	ISS-Oekom
Gender Diversity Score	Score determined by Candriam internal analysis, based on four underlying categories of factors: <ul style="list-style-type: none"> • Gender parity within the company and at management level • Equal pay and professional-private life balance • Policies to promote gender equality • Engagement, transparency and responsibility 	Equileap, Candriam

GHG emissions	<p>Company's carbon emissions measured in tons of carbon dioxide equivalent (tCO₂-eq). Three scopes of carbon emissions can be distinguished:</p> <ul style="list-style-type: none"> • Scope 1 emissions are direct emissions from owned or controlled sources. • Scope 2 emissions are indirect emissions from the generation of purchased energy. • Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions <p>Green bonds are excluded from calculations and will be integrated once reliable and standardised data at the instrument level on their use of proceeds is available.</p>	Trucost
Green bond	Reflects issuer's intended use of the capital raised by the offering to finance projects that have positive environmental or climate effects (for example clean energy plants and projects such as wind and solar).	Bloomberg
High stake	Sectors listed in Article 3 of EU Climate Transition (CTB) and EU Paris-aligned Benchmark (PAB) Regulation	Delegated regulation (EU) C(2020) 4757
Carbon Impact Analysis (CIA) Overall Rating	The methodology is based on a bottom-up analysis, adapted to each sector, which models sectoral decarbonisation trajectories based on IPCC scenarios and IEA sectoral trajectories. It is a detailed assessment of the specific climate performance of each issuer, which integrates past, present and future performance in terms of greenhouse gas emissions, as well as analysis of the company's ability to meet its climate objectives, focusing in particular on its governance, strategy and investment plans.	Carbon4Finance
ESG score	<p>Score resulting from Candriam internal ESG analysis:</p> <ul style="list-style-type: none"> • For corporate issuers, analysis is done from two angles: analysis of the impacts of Business Activities (products and services) and management of companies' key stakeholders. • For sovereign issuers, it incorporates the four essential dimensions of sustainability: human capital, natural capital, social capital and economic capital. <p>More details on Candriam's ESG analysis methodology are available in the transparency code.</p>	Candriam
Freedom House Index (FHI)	<p>"Freedom in the World is an annual global report on political rights and civil liberties, composed of numerical Ratings and descriptive texts for each country and a select group of territories. The 2021 edition covers developments in 195 countries and fifteen territories.</p> <p>The report's methodology is derived in large measure from the Universal Declaration of Human Rights, adopted by the UN General Assembly in 1948."</p>	Freedom House
R&D expenditure	Research and development expenditure as a proportion of the company's market capitalisation	Bloomberg
% Doctorates	Percentage of senior executives of the issuing company holding a doctorate	Bloomberg
% Women Board	Percentage of female board members at the issuer company	ISS-Oekom
Gender Diversity Score	<p>Score determined by Candriam internal analysis, based on four underlying categories of factors:</p> <ul style="list-style-type: none"> • Gender parity within the company and at management level • Equal pay and professional-private life balance • Policies to promote gender equality • Engagement, transparency and responsibility 	Equileap, Candriam

Controversial activities are also used to meet each of the environmental or social characteristics and are assigned different degrees of significance through the thresholds applied according to their materiality, geographical scope, or sector of activity. In addition, some of them are part of the DNSH verification and contribute to the management of PAIs.

Controversial Activities exclusion source:

Exclusion ¹	Definition ²	Source
Controversial Armaments ³	Covers companies directly involved in (1) Anti-personnel landmines, (2) Cluster bombs, (3) Nuclear weapons, (4) Depleted uranium weapons & armour, (5) Chemical weapons or (6) Biological weapons (7) White phosphorus (8) Blinding lasers or (9) Non-detectable fragments	Candriam, ISS, MSCI
Thermal Coal ³	Covers companies directly involved in the thermal coal industry and developing new projects through exploration, extraction, processing, transportation, and distribution.	Candriam, Trucost, Urgewald, Wood Mackenzie
Tobacco	Covers companies directly involved in the tobacco industry from the manufacturing or retailing of tobacco products.	MSCI, Sustainalytics
Armaments	Covers companies directly involved in nuclear weapons and conventional armaments and/or critical components / services of nuclear weapons and conventional armaments.	MSCI
Electricity Generation ³	Covers power producing companies with carbon intensity and increasing coal and nuclear power generation capacity.	Candriam, MSCI, Trucost
Oil & Gas ³	Covers companies directly and indirectly involved in conventional and unconventional oil & gas through prospecting, exploration, extraction, transportation and refining, and developing new projects.	Candriam, MSCI, Trucost, Urgewald, Sustainalytics, Wood Mackenzie
Oppressive Regimes	Covers countries in which human rights are severely breached on a regular basis, fundamental liberties are systematically denied and the security of people is not guaranteed due to government failure and systematic ethical breaches and companies with Business Activities in these countries.	Candriam
Alcohol	Covers companies involved in the manufacture and/or sale of alcohol products – i.e. brewers, distillers, vintners, retailers, owners & operators of alcohol establishments, restaurants that serve alcohol – as well as alcohol retailers.	MSCI, Sustainalytics
Gambling	Covers companies directly involved in gambling (machines or software manufacturers, casinos, lotteries, bookmakers, gambling websites, outlets with slot machines, gambling broadcasts) and indirectly involved in gambling through intermediary gambling access services (e.g., online payment service providers, general retailers, airports hosting gambling products).	MSCI, Sustainalytics
Nuclear Power	Covers companies involved in the extraction, conversion and enrichment of uranium to produce nuclear fuel, the irradiation of the fuel in a nuclear reactor and/or the reprocessing/ disposal of spent nuclear fuel and other nuclear waste.	MSCI, Sustainalytics
Palm Oil	Covers companies involved in the production, processing, sale, and/or use of palm oil.	MSCI
Norms-based ³	Covers companies uncompliant with the ten principles of the United Nations Global Compact for each of the main categories: Human Rights (HR), Labour (L), Environment (ENV) and Anti- Corruption (COR).	MSCI, Sustainalytics

Legend:

Climate related activity
Other

Notes :

(1) Candriam's exclusion policy is subject to the constraints inherent to the availability of ESG data and to the underlying data methodologies. Therefore, thresholds are analysed and implemented on a best-effort basis.

(2) Thresholds of these controversial activities are available in our Exclusion Policy.

(3) Controversial activities part of the DNSH verification and contribute to the management of PAIs.

8.2. Measures taken to ensure data quality

Candriam's ESG Investments and Research Department conducts ongoing, rigorous screening of ESG data providers. In particular, our ESG Analysts check data quality and compare indicators and their materiality. Through their due diligence and monitoring of ESG data providers, they analyse the relevance of existing ESG data sources and identify additional ESG data needs and data sources.

Furthermore, data quality controls are performed at several levels during each integration and aggregation of ESG data:

- **Data integration into Candriam's systems:** data quality controls, defined according to the data catalogue provided by external data providers, are performed to check data format validity and consistency and ensure data completeness, e.g. file import exhaustivity, issuer coverage variation.
- **Data coherence at both issuer and portfolio level:** close monitoring of a set of key sustainable indicators' variation, e.g. carbon footprint with respect to predefined thresholds in order to detect outliers in a timely manner.

Detected anomalies, such as missing data or inconsistencies, are investigated internally and escalated to the source vendor when necessary. An internal verification process has been set up to overwrite a data point whenever other data sources and/or Candriam engagement activities with companies prove the external data provider's value to be wrong. Additionally, we review and enhance our data quality framework through periodic committees.

8.3. How data are processed

An end-to-end data processing pipeline has been implemented in order to collect, transform, aggregate, exploit and visualise data.

Data acquisition: ESG data contains both external providers' raw data and internal data which consist of an aggregated file with exclusion information and additional external providers data.

Data providers' ESG data as well as internal ESG analysis data are updated on a regular basis. Those processes are largely automated, with a focus on continuous improvements.

Mapping and transformation: the provider-specific identifiers are mapped using a predefined methodology thus enabling the linking of associated data. Raw data from external providers are then enriched and aggregated for further analysis.

Exploitation and Visualisation: Data is disseminated to portfolio managers via internal tools and to clients through Candriam's regular reporting.

Candriam is constantly looking to improve its processes and is assessing the use of a central ESG aggregator to enhance data quality in the coming years.

8.4. Proportion of data that is estimated

The variety of sources and methodologies complicates the identification of estimated data. Many data providers do not note the difference. Accordingly, they disclose data that is both estimated and reported by an issuer in the same criterion, making it impossible to crystallise the estimated data with precision.

9. Limitations to methodologies and data

9.1. Limitations to the methodologies

The following paragraphs summarise the limitations of the methodologies, primarily due to the lack of disclosed or verified data.

Data Coverage

Although ESG data is continually improving, certain data may be unavailable for all issuers in the fund or benchmark. As a result, sustainability indicator scores at the portfolio level may only represent a subset of issuers for which data is available. It is therefore always important to consider coverage ratios when interpreting the levels of the Sustainability indicators.

Product Eligibility

Sustainability indicator calculations are based on data availability for the relevant products/instruments, specifically those where a single-name issuer is identifiable (e.g., stocks, bonds, single-name CDS, equity derivatives). Products such as cash, FX forwards, index-linked products, and interest rate derivatives are excluded. Certain sub-sovereign issuer categories, being equivalent to either sovereign or corporate issuers, are excluded. Supranational issuers are also excluded.

Data granularity

For certain data types, the necessary level of granularity is not always available. Data is generally provided at the issuer level, but not always at the instrument level. For example, at this stage this is the case for carbon data on green bonds, where project-specific data is not yet readily available; this situation is addressed by excluding the green bonds from the Sustainability indicators calculation (both in the numerator and the denominator) rather than assigning issuer level data or a zero carbon value to the green bond.

Issuer mapping

Regarding mapping between subsidiaries and parent companies, ESG data is not always available at the level of the specific issuer held in position, but can be mapped with ESG data from a reference company of the same group. This is the case when the relationship between the two companies is deemed relevant from an ESG standpoint.

Harmonised methodology

For certain indicators such as temperature, the absence at this stage of common or harmonised definitions and hypothesis can make figures based on one provider's methodology hard to compare to figures based on other provider's methodologies. Thus, on the same portfolio, the temperature via one provider's methodology could differ from the temperature via another provider's methodology.

9.2. How such limitations do not affect the environmental or social characteristics

Limitations from the previous section do not materially affect our assessment because we are using various data providers as well as internal assessments to compare, evaluate and use the most relevant data as a basis to our ESG analysis/convictions.

The ESG Investments and Research Department strives to source information from diverse sources as we consider information from different providers to be complementary. This is the result of providers' varying coverage, methodologies, as well as culture which may ultimately lead to discrepancies in views and final ratings. To feed Candriam ESG analysis sector frameworks, ESG Analysts use internal and external research, comprising a multitude of private providers and various academic experts, sector federations, media and NGOs. These different assessments enable our ESG analysts to have a more holistic view of issuers.

New data sources and providers undergo a rigorous selection and due diligence process. The results of the due diligence process, along with the application of the data to Candriam portfolios and benchmarks, are presented to the Sustainability Risk Committee.

The sustainability indicators used for the measurement of the portfolio's environmental or social characteristics are subject to our conviction that the underlying data are sufficient mature, and that sufficient data coverage and quality are available. The choice of the indicators is validated by committees (Clients Solution Committee and Product Range Committee).

Calculation methodologies and evolutions in the methodologies are reviewed by the Sustainability Risk Committee.

9.3. Actions taken to address such limitations

Our proprietary analysis, using multiple data providers and internal research, allows Candriam to control the limitations by selecting the most relevant data in terms of sustainability.

We address such limitations through Candriam's ESG sector analysts' deep dive "ESG Conviction Analysis" and by constantly monitoring potential new relevant data sets from providers to achieve the best tracking practices.

Candriam's ESG Conviction analysis focuses on the most relevant ESG risks and opportunities to which issuers are exposed, in order to assess the materiality of ESG data and methodological issues.

Regarding sovereign issuers, methodological limitations and attribution pitfalls have led Candriam to broaden the sustainability objectives to include a wider range of considerations beyond climate change. Depending on product, the sustainability objective will be achieved through a combination of an overall sustainability score measurement and/or a specific country sustainability indicator relevant for the universe of sovereign issuers at stake.

10. Due diligence

The due diligence on the underlying assets of the financial product is carried out by Portfolio Management and Risk Management departments. It is supported by a tool that contains regulatory and contractual constraints and limits to prevent errors. The tool helps the Portfolio Manager to automatically check the order before it is sent to the market. Please find further details below.

In addition to the Portfolio Management Department, Risk Management Department is in charge of second line of defense control.

This department operates independently of the Portfolio Management Department and reports directly to Candriam's Group Strategic Committee.

The Risk Management Department ensures also that the securities making up the strategies embedded within financial products classified as Article 8 under SFDR, comply with Exclusions Policy applicable to the financial product.

One of the tools used by this department is the constraints server, a tool that combines all the restrictions and limits required to manage the investment products. It contains regulatory and contractual constraints as well as internal limits and constraints used to prevent operational errors.

Constraints are applied, for example, to the:

1. List of authorised investments.
2. Potential ratios (liquidity, dispersion) defined.
3. Main regulatory constraints applicable to the fund.
4. «List of credit warnings» and «list of equity warnings»
5. Specific clients request defined in client's agreement.

Once the constraints have been configured in the constraints' server, any order entered by the portfolio manager is immediately checked against them before the order is sent to the markets (ex-ante control). The portfolio manager is alerted in the event of a breach of constraint.

11. Engagement policies

Engagement with issuers of financial instruments, through dialogue and voting, is a key element of Candriam's investment process due to its potential impact on returns and its role for discussing impact of sustainability issues on investee companies. There are several ways to engage, including direct dialogue, collaborative dialogue, and voting.

Candriam engages with issuers on a range of topics. Engagement takes the form of individual or collaborative dialogues between ESG analysts and the representatives of the company and other stakeholders. Engagement also covers voting activities at annual or special general meetings.

Candriam has established an Engagement Policy as well as an active Voting Policy. Engagement is embedded in the core of our investment strategy. Active ownership and engagement are interrelated and crucial to mitigate risks and to enhance long-term value. This commitment to engagement is a fundamental part of the services we offer clients, reflecting our fiduciary duty to act in their best interests while promoting positive change.

Encouraging improved ESG disclosures is the foundation of our engagement strategy, designed to enhance internal ESG research and analysis. It is typically initiated at the outset of the sustainability analysis process or research project, often in response to a lack of public disclosure on ESG-relevant topics or a specific event requiring clarification from the issuer. This engagement is crucial for integrating ESG criteria into investment decisions, as it ensures the availability of comparable and reliable data needed to produce objective and well-informed assessments. As detailed in our engagement policy, we also encourage through engagement adoption of recognised standards and best practices in managing ESG risks and opportunities.

Our engagement mainly address the following themes : Climate change, Biodiversity & Natural capital, Human Rights, Human Capital, Governance & Business ethics.

As mentioned earlier, and only when relevant to the mandate, Candriam actively exercises its voting rights as a shareholder. However, please note that certain mandates or dedicated funds, for which Candriam serves as the management company, do not apply Candriam's Engagement or Voting Policy. For more details on the voting scope, please refer to Candriam's Voting Policy.

Our Engagement policy can be found under the following link:

[Candriam | Engagement Policy](#)

Our proxy-voting policy is available under the following link:

[Candriam | Proxy Voting Policy](#)

12. Designated reference benchmark

Having a proprietary methodology concede to encourage diversification and compare our products against the state of the economy that we use as a benchmark.

The reference benchmark of Candriam Article 8 products does not qualify as an EU Climate Transition Benchmark or an EU Paris-Aligned Benchmark under Title III, Chapter 3a, of Regulation (EU) 2016/1011.

Candriam has elected to use traditional, non ESG focused, benchmarks for all Candriam article 8 products. These benchmarks represent the state of the overall economy Candriam aims to compare its products against. Existing indices that explicitly take into account sustainability objectives are not deemed suitable for most strategies and their sustainability objectives. These sustainability focused benchmarks are based on ESG data from specific ESG data providers, with their own methodologies and scoring system that might differ from Candriam's approach to ESG. Candriam believes that, whilst such comparison might be interesting to investors, adopting these external ESG benchmarks could lead to a loss of diversification by encouraging all Candriam products to track external ESG scores rather than Candriam's own ESG scores.

C. Summary of the characteristics of the mandates and dedicated financial products

ARTICLE 8 ¹			
Proxy name	Corporate + Sovereign	Corporate + Sovereign	Corporate + Sovereign + (inclusion)
Exclusion	Level 1 - Company-Wide Exclusion Policy	Level 2a Exclusion	Level 3 Exclusion
Corporate – Global Compact – Detailed	Outlist or Red	Red	Outlist or Red
Country – International Treaty (FATF)	Y		
Integration	Y		
KPI	Carbon footprint or carbon intensity < Bench ESG Score > Bench <i>These vary by financial product, as outlined in its prospectus</i>		
Consider End-Client Sustainability Preferences	Y		
Min Investment with E/S characteristics	70%		
PCD – Min Sustainable Investments	Min 15%	50%	50%
Min Sustainable Investments – <i>Environmental</i>	0%		
Min Sustainable Investments – <i>Environmental – Taxonomy Aligned</i>	0%		
Min Sustainable Investment - Social	0%		

¹ For certain discretionary portfolio mandates and dedicated financial products other thresholds apply



Disclaimer

IMPORTANT INFORMATION

This product disclosure is provided in compliance with article 10 of SFDR. It contains information about the investments, methodologies and policies described by Candriam for the management of financial products referred to in Article 8 of SFDR. Such product disclosure must be read in addition to the information on the sustainability aspects of Candriam products which are available on each product webpage at www.candriam.com. The decision to invest in a financial product must take into account all the characteristics or objectives of that product as described in its legal or contractual documentation.

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